

To the Members of the California State Senate:

I am returning Senate Bill 1240 without my signature.

This bill would require every real estate broker who makes, brokers, or services mortgages to notify the Department of Real Estate about those activities. The bill would also require real estate brokers to submit detailed compliance reviews of their books and records to the Department of Real Estate annually.

While I recognize the merits of increasing consumer protection in the mortgage industry, this bill would unnecessarily and expensively expand state government and dramatically increase license fees with no assurance that its goal will be achieved. Recent federal legislation provides for a comprehensive loan originator licensing system that establishes national standards by which all loan originators are licensed and state regulatory agencies would enforce federal mortgage lending laws. This system would also provide states with access to a data base of originators and any enforcement actions taken. I encourage the Legislature to collaborate with the Departments of Real Estate, Corporations and Financial Institutions to pursue legislation as appropriate to implement the federal legislation in order to provide an even regulatory playing field among loan originators and to ensure the public receives the protection it deserves.

For these reasons, I am returning the bill without my signature.

Sincerely,

Arnold Schwarzenegger